

Message Text

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SUBJECT: EC FINANCE COUNCIL, JUNE 16, 1975: HIGHLIGHTS

REFS: A. EC BRUSSELS 5191

B. EC BRUSSELS 5218

C. EC BRUSSELS 4983

1. SUMMARY: THE EC FINANCE COUNCIL MEETING IN LUXEMBOURG ON JUNE 16 WAS DOMINATED BY DISCUSSIONS OF FRENCH RE-ENTRY INTO THE "SNAKE". THE FRENCH DID NOT ANNOUNCE THEIR RE-ENTRY AT THE COUNCIL BUT SAID THEY WOULD DO SO PRIOR TO THE NEXT FINANCE COUNCIL ON JULY 10. THE FINANCE MINISTERS ALSO DISCUSSED THE EC COMMON BORROWING FACILITY FROM WHICH SEVERAL SOURCES HAV TOLD US THE IRISH INTEND TO BORROW \$200 MILLION AND THE ITALIANS A SIZEABLE BUT AS YET UNDETERMINED AMOUNT. FORMAL APPLICATION FOR BOTH OF THESE BORROWINGS IS EXPECTED SHORTLY. OTHER TOPICS DISCUSSED BY THE MINISTERS INCLUDED EFFORTS TO IMPROVE THE COORDINATION OF COMMUNITY POSITIONS AT THE INTERIM COMMITTEE MEETINGS OF THE IMF. IRISH PRESIDENT O'DALAIGH PAID AN OFFICIAL VISIT TO THE COUNCIL AND IN HIS ADDRESS URGED THE MINIS-

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TERS TO CONCENTRATE MORE ON BUILDING EUROPE THAN ON

REAPING ITS BENEFITS. END SUMMARY.

2. FRENCH RETURN TO THE "SNAKE": FRENCH FINANCE MINISTER FOURCADE TOLD HIS COLLEAGUES THAT FRANCE WOULD MAKE A FORMAL ANNOUNCEMENT OF ITS DECISION TO REJOIN THE "SNAKE" BY THE NEXT FINANCE COUNCIL SESSION ON JULY 10. THE MINISTERS, BOTH AT THE MORNING MEETING OF "SNAKE" COUNTRIES AND AT THE COUNCIL SESSION, DISCUSSED THE REPORTS OF THE MONETARY COMMITTEE AND THE CENTRAL BANK GOVERNORS ON THE FRENCH SUGGESTIONS FOR MODIFICATIONS IN THE OPERATION OF THE "SNAKE". (SEE REF A.2) WHILE AGREEING THAT INTENSIVE CONSULTATION WITH OTHER IMPORTANT CURRENCIES WOULD BE USEFUL, THE MINISTERS REJECTED THE FRENCH SUGGESTION FOR THE MAINTNANCE OF A COMMON LEVEL FOR "SNAKE" CURRENCIES AGAINST THE DOLLAR. THE MINISTERS CHARGED THE CENTRAL BANK GOVERNORS WITH DRAWING UP PROCEDURES TO MORE EQUITABLY SHARE THE COSTS OF INTERVENTIONS AMONG "SNAKE" PARTICIPANTS. THE MINISTERS ALSO AGREED IN LARGE PART WITH FRENCH SUGGESTIONS CONCERNING THE CLEARING OF INTEVENTION CREDITS. HOLDINGS OF GOLD ARE TO BE EXCLUDED FROM THE CALCULATION OF TH BASIS FOR "SNAKE" SETTLEMENT PAYMENTS AND IT WAS DECIDED THAT THE CEILING ON VERY SHORT TERM OR SWAP CREDITS AVAILABLE TO "SNAKE" MEMBER COUNTRIS WOULD BE THE SAME AS EACH COUNTRY'S QUOTA UNDER THE EC SHORT TERM CREDIT FACILITY. THE TIME PERIOD FOR REPAYMENT OF SWAP CREDITS MAY BE AUTOMATICALLY EXTENDED AN ADDITIONAL THR MONTHS WITH THE POSSIBILITY OF A FURTHER THREE MONTH EXTENSION.

3. EC COMMON BORROWING FACILITY: AT THEIR PRIVATE LUNCH, THE FINANCE MINISTERS DISCUSSED THE STATE OF THEIR EFFORTS TO ESTABLISH A COMMON BORROWING FACILITY (SEE REF. B.). NO MEMBER STATE MADE A FORMAL APPLICATION FOR FUNDS FROM THE FACILITY , BUT SEVERAL PUBLICLY URGED THAT THE FACILITY BE ESTABLISHED. PERMREP AND COUNCIL SOURCES, HOWEVER, HAVE TOLD US THAT THE IRISH INTEND TO APPLY FOR \$200 MILLION FROM THE FACILITY AS SOON AS IRISH FINANCE MINISTR RYAN RETURNS FROM HIS FORTHCOMING TRIP TO THE MIDEAST, PROVIDED HE IS UNABLE TO COME UP WITH MORE ATTRACTIVE CREDITS ON A BILATERAL LIMITED OFFICIAL USE

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BASIS. REPORTEDLY THE ITALIANS ALSO WERE INTERESTED IN THE COMMON BORROWING FACILITY SAYING THEY WOULD FORMALLY APPLY "IN THE NEXT FEW DAYS" AND EXPRESSING THE HOPE THAT MORE PLEDGES OF MONEY FOR THE FACILITY COULD BE FOUND IN ADDITION TO THE PLEDGES GIVEN BY SAUDI ARABIA.

4. IMF INTERIM COMMITTEE MEETING: THE MINISTERS AGREED

TO HOLD A POST MORTEM ON THE RECENT IMF INTERIM COMMITTEE MEETING IN PARIS AT THEIR NEXT SESSION ON JULY 10. A NUMBER OF MEMBER STATES WERE CRITICAL OF THE COMMUNITY'S FAILURE TO REACH A COMMON POSITION AT THE PARIS MEETING AN URGED THAT GREATER EFFORTS BE MADE IN PREPARATION FOR THE AUGUST INTERIM COMMITTEE MEETING.

5. PRIVATE LUNCHES V. COUNCIL SESSIONS: THE DUTCH REITERATED THEIR EARLIER COMMENTS REGARDING THE DIFFICULTIES OF THE PRESENT SYSTEM OF MINISTERIAL LUNCHES FOLLOWED BY SHORT AND FREQUENTLY INCONSEQUENTIAL COUNCIL MEETINGS (SEE REF. C). THE COMMITTEE OF PERMANENT REPRESENTATIVES AND THE MONETARY COMMITTEE ARE TO EXAMINE THE RELATIONS BETWEEN THE SUPPOSEDLY PRIVATE AND NON-BINDING LUNCHEON DISCUSSIONS AND SUBSEQUENT COUNCIL DISCUSSIONS. THE MATTER IS TO BE TAKEN UP AGAIN AT THE JULY 10 COUNCIL.

6. ECONOMIC SITUATION OF THE COMMUNITY: THE FINANCE MINISTERS DISCUSSED AT SOME LENGTH THE CURRENT ECONOMIC SITUATION WITHIN THE COMMUNITY. ALL REPORTEDLY AGREED THAT THEY HAD UNDERESTIMATED BOTH THE SEVERITY AND DURATION OF THE CURRENT RECESSION. WITH VARYING DEGREES OF BLUNTNESS, SEVERAL MEMBER STATES URGED THAT GERMANY AND JAPAN UNDERTAKE FURTHER EFFORTS AT REFLATION.

7. IRISH PRESIDENT VISITS THE COUNCIL; THE PRESIDENT OF IRELAND, CEARBHALL O'DALAIGH, PAID AN OFFICIAL VISIT TO THE FINANCE COUNCIL. O'DALAIGH DELIVERED A SHORT ADDRESS RECALLING THE FOUNDING OF THE COMMUNITY. HE URGED THE MINISTERS TO HEED THE ADVICE OF MICHEL RODAGE, THE NATIONAL POET OF LUXEMBOURG, WHOSE WORK HE PARAPHRASED TO READ "EVERYBODY WOULD LIKE TO GATHER LIMITED OFFICIAL USE

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THE FRUITS OF THE COMMUNITY BUT WHO IS GOING TO MAKE THE EFFORT TO GRAFT ITS TREE." GREENWALD

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